

Message Text

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ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 EB-07 CIAE-00 INR-07 NSAE-00
PM-04 NSC-05 SP-02 SS-15 ACDA-07 MC-02 /072 W
-----142227Z 048747 /66 L

P R 142126Z JAN 77
FM AMEMBASSY QUITO
TO SECSTATE WASHDC PRIORITY 2890
INFO AMEMBASSY LA PAZ
AMEMBASSY LIMA
AMEMBASSY MOSCOW
AMEMBASSY PARIS
AMEMBASSY SANTIAGO
USCINCSO QUARRY HEIGHTS
DIA WASHDC

S E C R E T QUITO 0340

E.O. 11652: GDS
TAGS: BGEN MASS EC
SUBJECT: GOE PURCHASE OF AIR CONTROL SYSTEM: CONTINUED
DIFFICULTY FOR US BECAUSE OF LINKAGE TO MISSILES

REF: A) QUITO 0204; B) USCINCSO P 131846Z JAN 77

1. SUMMARY: SUCCESSFUL RAYTHEON BID TO SELL AIR CONTROL SYSTEM CONTINUES TO BE IN JEOPARDY BECAUSE OF GOE LINKAGE OF SYSTEM TO MISSILE PURCHASE. AMBASSADOR HAS ENDEAVORED TO GIVE SUPPORT TO RAYTHEON AT HIGH LEVELS. IT NOW APPEARS THAT AIR FORCE CHIEF, GEN LEORO, IS PRINCIPAL OPPONENT TO RAYTHEON AND IS DRAGGING OUT PROCESS TO CAUSE RAYTHEON TO WITHDRAW BECAUSE OF COSTS OF MAINTAINING FINANCIAL PACKAGE WITH PRIVATE BANKS, WHICH HAS BEEN ARRANGED THROUGH END OF JANUARY. RAYTHEON BELIEVES PROMISE OF BRIEFING ON I-HAWK (AND OTHER US MISSILES), WOULD STRENGTHEN ELEMENTS IN GOE FAVORING RAYTHEON. EMBASSY HAS MADE CLEAR AND WILL CONTINUE TO STRESS THAT US POLICY CURRENTLY AGAINST INTRO-
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DUCTION OF SOPHISTICATED I-HAWK TO LATIN AMERICA AND THAT WE CAN GIVE NO ASSURANCE OF CHANGE IN POLICY. REQUEST RAPID REPLY TO QUITO 0204 REQUESTING BRIEFING AND GUIDANCE. END SUMMARY.

2. MINISTER OF DEFENSE ARRATA SUMMONED THE AMBASSADOR TO MINISTRY ON JANUARY 11 TO DISCUSS RAYTHEON PROPOSAL FOR

SALE OF AIR CONTROL SYSTEM. ARRATA STATED STRONG DESIRE OF CERTAIN GOE OFFICIALS TO PURCHASE AIR CONTROL SYSTEM AND SURFACE-TO-AIR MISSILES FROM SAME SUPPLIER, AND SAID A SUCCESSFUL RAYTHEON BID ON AIR CONTROL SYSTEM WAS JEOPARDIZED BECAUSE OF LACK OF ASSURANCE THAT GOE WOULD BE ABLE TO BUY I-HAWK MISSILE FROM US. ARRATA ASKED AMBASSADOR ABOUT PROSPECTS OF GOE PURCHASING THE I-HAWK.

3. AMBASSADOR STRESSED TO ARRATA HIS UNDERSTANDING THAT RAYTHEON AIR CONTROL SYSTEM WOULD BE HARMONIOUS WITH ANY MISSILE SYSTEM ACQUIRED BY GOE; THAT THE RAYTHEON PACKAGE WAS COMPLETE AND OF HIGH QUALITY; THAT RAYTHEON HAD ARRANGED A GOOD FINANCING PACKAGE, INCLUDING AN EXIM BANK GUARANTEE; AND THAT RAYTHEON IS AN EXPERIENCED REPUTABLE COMPANY THAT WILL STAND BEHIND ITS EQUIPMENT AND WORK. HE TOLD ARRATA THAT CURRENT US POLICY DID NOT ALLOW THE SALE OF THE I-HAWK TO LATIN AMERICA BECAUSE OF ITS COST, SOPHISTICATION AND OUR DESIRE TO LIMIT THE ARMS RACE IN LATIN AMERICA. THE AMBASSADOR SAID HE COULD NOT GUARANTEE THE REVERSAL OF USG POLICY ON THE I-HAWK, BUT SAID EMBASSY HAD RECOMMENDED A BRIEFING FOR THE GOE ON THE US INVENTORY OF MISSILES, INCLUDING THE I-HAWK.

4. ARRATA EXPRESSED STRONG GOE PREFERENCE FOR US EQUIPMENT, BUT SAID THERE WAS CONSIDERABLE PRESSURE TO OBTAIN AIR CONTROL AND MISSILE SYSTEMS FROM SAME SOURCE. HE DENIED THAT GOE WOULD PURCHASE EQUIPMENT FROM USSR.

5. AMBASSADOR AT HIS OWN INITIATIVE CALLED ON GEN LEORO
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ON JANUARY 13 TO TRY TO GIVE RAYTHEON BID A BOOST. HE REPEATED ARGUMENTS MADE TO ARRATA. LEORO ALSO EMPHASIZED GOE DESIRE TO PURCHASE AIR CONTROL AND MISSILE SYSTEMS FROM SAME COMPANY. AMBASSADOR REPEATED THAT EMBASSY HAD REQUESTED BRIEFING ON US MISSILES, BUT MADE VERY CLEAR THAT HE COULD NOT GUARANTEE CHANGE IN CURRENT US POLICY ON I-HAWK. HE SAID THE NEW ADMINISTRATION PROBABLY WOULD NOT BE IN A POSITION TO REVIEW ARMS SALES POLICIES FOR SEVERAL MONTHS AT A MINIMUM. LEORO STATED THAT GOE WOULD PROBABLY WAIT 60-90 DAYS BEFORE FINAL SELECTION OF SYSTEMS MADE.

6. RAYTHEON REP BELIEVES LEORO TRYING TO STALL IN ORDER TO FRUSTRATE RAYTHEON SALE AND THEN THROW BID TO ITALIANS. RAYTHEON FINANCIAL PACKAGE IS CONSTITUTED UNTIL END OF JAN, BUT RAYTHEON REP STATED RELUCTANCE TO KEEP PACKAGE INTACT AFTER THAT DATE BECAUSE OF COST OF PAYING PRIVATE BANK TO HOLD FUNDS AVAILABLE. RAYTHEON REJECTED AMBASSADOR'S PROPOSAL TO TELL GOE THAT IT IMPOSSIBLE TO OBTAIN

REVERSAL OF CURRENT POLICY ON I-HAWK AND THUS FORCE GOE'S HAND. REPRESENTATIVE PREFERS TO HOLD OUT HOPE FOR EVENTUAL PURCHASE OF I-HAWK BY GOE IN ORDER NOT LOSE SOME GOE OFFICIALS FAVORING RAYTHEON. AMBASSADOR STRESSED HE MUST BE CANDID AND HONEST WITH GOE IN HIS CONTACTS WITH GOE IN ORDER TO MAINTAIN CREDIBILITY, AND THEREFORE COULD NOT HOLD OUT MUCH HOPE TO GOE FOR I-HAWK.

7. RAYTHEON BELIEVES THAT INSISTENCE OF SOME GOE OFFICIALS ON TYING I-HAWK TO THE ATC PACKAGE IS STRONGLY MOTIVATED BY THEIR NEED TO CREATE A CREDIBLE PRETEXT TO REJECT THE MORE HIGHLY EVALUATED US SYSTEM AND COLLECT BRIBES THEY SUSPECT TO BE CONNECTED WITH SALE OF ITALIAN SYSTEM. IF THIS ANALYSIS IS CORRECT, IN ORDER TO GET THE CONTRACT THE US MUST EITHER: A) HOPE THAT IN THE END THOSE ECUADOREAN OFFICERS WHO FAVOR A SUPERIOR TECHNICAL SYSTEM WILL PREVAIL OVER THOSE WHO SEEK PERSONAL GAIN, OR, B) BE
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FORTHCOMING ON THE HAWK. WE ARE PERSUADED THAT WE MUST AT LEAST TEST WHETHER PROMPT BRIEFING ON I-HAWK WILL SWAY GOE AND ASSIST RAYTHEON. IT MAY ALSO BUY TIME.

8. ACTION REQUESTED: A QUICK REPLY TO QUITO'S 0204 REQUESTING A BRIEFING (AS A TIME-BUYING DEVICE) AND GUIDANCE.
BLOOMFIELD

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AIR TRAFFIC CONTROL, TRACKING STATIONS, MISSILE CAPABILITIES, PROPOSALS (BID)
Control Number: n/a
Copy: SINGLE
Sent Date: 14-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977QUITO00340
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770015-0395
Format: TEL
From: QUITO
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770151/aaaabscg.tel
Line Count: 146
Litigation Code IDs:
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Litigation History:
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Message ID: 383c71d9-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: 77 QUITO 204
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 27-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3596019
Secure: OPEN
Status: NATIVE
Subject: GOE PURCHASE OF AIR CONTROL SYSTEM: CONTINUED DIFFICULTY FOR US BECAUSE OF LINKAGE TO MISSILES
TAGS: BGEN, MASS, EC, RAYTHEON
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/383c71d9-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009